

# EXHIBIT 1.

NO. 12-CV-02393

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1     hundred percent complete here.

2             Q       And where are you pointing?

3             A       Two columns over. It'll say  
4     percent complete. That means the job  
5     recently was finished up within a period of  
6     time and it hasn't come off the report. I'm  
7     not -- I don't get involved with the running  
8     of these. So the actual content and what  
9     creates this, I don't have full knowledge  
10    of.

11            Q       So where it says zero under the  
12    column "percent complete," that means that  
13    no work has begun?

14            A       Correct.

15            Q       And so does the gross profit  
16    margin percentage change throughout the  
17    course of the project?

18            A       Yes, it would.

19            Q       And if you look at the bottom  
20    of this report where the column that says  
21    "gross profit," if you follow it down, it  
22    appears to say "\$900,401.03." What does  
23    that represent?

24            A       Appears to be a summarization

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1 BY MR. KLAPROTH:

2 Q Okay. Typically what type of  
3 gross profit percentage would you be looking  
4 to get on a School District project?

5 A Typically we were in the -- for  
6 the small bid and chase jobs, we try to get  
7 30, 35. But as you can see, it does not  
8 always work that way.

9 Q Was there a difference in gross  
10 profit percentage in jobs that you acquired  
11 through direct contact with School District  
12 personnel verses through the bid process?

13 A We strived for consistency. So  
14 I would say the goals are the same.

15 Q Do you know whether or not SDT  
16 has to have any special certification in  
17 order to do work for the School District of  
18 Philadelphia?

19 A I believe there are -- there is  
20 something out there in the city that you  
21 have to be part of and on, not necessarily  
22 tied to the state of Pennsylvania, but that  
23 you are a registered listed contractor in  
24 the city of Philadelphia that allows you to

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1 that level. The strictly -- a fire alarm or  
2 security project, it may not have a general  
3 contractor involved.

4 Q Does SDT ever work as an  
5 electrical contractor?

6 A Very limitedly and on very  
7 specific projects.

8 Q Has SDT ever worked as  
9 electrical contractor for the School  
10 District of Philadelphia?

11 A No.

12 Q Okay. Does SDT ever work as a  
13 prime contractor?

14 A Yes.

15 Q Has SDT ever worked as a prime  
16 contractor for the School District of  
17 Philadelphia?

18 A Yes.

19 Q And can you tell me what those  
20 projects were?

21 A The two that really stick out  
22 in my mind, based on D2 would be the PSD440,  
23 building turn-style, phases one and two.  
24 And right under it, the PSD fire tower

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1 access control doors.

2 Q Okay.

3 A Those were two rather large  
4 jobs to tighten up security at 440 North  
5 Broad at the direction of Miss Ackerman.

6 Q And when you say  
7 "Miss Ackerman," do you mean Arlene  
8 Ackerman?

9 A Yes.

10 Q And so it looks like the turn  
11 styles project, if I look at D2, the  
12 contract date February 24th, 2010; is that  
13 correct?

14 A February 24, 2010. That's  
15 correct.

16 Q Okay. And the PSD fire tower  
17 project was March 19, 2010?

18 A Correct.

19 Q Are there any other projects  
20 that the SDT has worked as prime contractor  
21 on for the School District of Philadelphia?

22 A On this list, no.

23 Q Okay. Can you tell me  
24 approximately what percentage of work SDT

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1 heard of the School Reform Commission? Just  
2 generally?

3 A Well, what haven't you heard?  
4 It's all over newspaper articles and TV and,  
5 you know. It -- it's been out there for  
6 years and years and years. You hear all  
7 kinds of stuff. Good and bad.

8 Q Okay. Were you familiar with  
9 any of the internal approval processes that  
10 the School District of Philadelphia would  
11 use in deciding whether or not to use SDT on  
12 a project?

13 MR. HOMANS: Just object to form.  
14 The term "familiar." Not sure what that  
15 means.

16 THE WITNESS: I'm familiar with  
17 processes that would be used for anybody,  
18 any firm, not just security and data or  
19 SDT.

20 BY MR. KLAPROTH:

21 Q Specific to the School District  
22 of Philadelphia, though, do you have any  
23 familiarity with what their internal  
24 processes are for approving work with SDT?

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1           A       I have a general concept.

2           Q       Okay. What is that concept?

3           A       Basically that we always had to  
4 provide written costs. Those costs would be  
5 heavily scrutinized. And, you know, there'd  
6 be more than one round of pricing, always to  
7 get the number down. So in my eyes, very  
8 competitive process. And then just wait.  
9 And either a purchase order would show up  
10 or, you know, once in a while I'd heard they  
11 had to go through a resolution to get it  
12 before the School Reform Commission for  
13 approval. That's it. Again, as far as  
14 timing, sometimes it was quick, sometimes  
15 it's only a certain time of the month you  
16 had to get it in by. So, you know, when  
17 they called, we jumped, and we got them what  
18 they needed quickly and we just wait and  
19 see.

20          Q       Okay. I think before when you  
21 were telling me about how you would work  
22 through a bidding process, and you said that  
23 you would get the papers or get the  
24 documents from the purchaser. You would go



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1 September 8th. We met on September 7th. So  
2 it was way too early for that whole process.

3 Q Okay. Now, I believe in D3, in  
4 the email that you wrote to Miss McCole, it  
5 states, "Remember, I will be with Joe all  
6 day tomorrow on the site surveys."

7 Do you know whether or not you  
8 started the site surveys on September 9?

9 A To the best of my recollection,  
10 we did. If I put it here, then we most  
11 certainly -- yeah, I would say we did.  
12 Yeah.

13 Q Do you know how many days total  
14 you spent surveying the 19 schools?

15 MR. HOMANS: Do you mean "you,"

16 SDT?

17 BY MR. KLAPROTH:

18 Q SDT.

19 A Exactly how many days, I'd have  
20 to reconstruct it. The better part of --  
21 I'd say eight to ten business days. That  
22 would include, you know, going to each  
23 location, meeting with the schools, meeting  
24 with principals, security folks. And then

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1 meeting with School District personnel to  
2 put closure to it.

3 Q Okay. When you say "put  
4 closure to it," what do you mean?

5 A Meaning, fine tune it on some  
6 additional scope. It never got fine tuned  
7 all the way, we never got to that point.  
8 They got to a certain point and then it was  
9 stopped. But, you know, you get to a point,  
10 you design build projects, you have a big  
11 window, and then you got to start bringing  
12 that window in, fine tune it.

13 Q When you first started -- let  
14 me back up.

15 Were you actually -- did you do  
16 the surveys of the 19 schools, you personally?

17 A Yes.

18 Q Okay. Who else from SDT  
19 participated in those surveys?

20 A Joe Snell.

21 Q Anybody else?

22 A Possibly one of our technicians  
23 for a day or so. I don't recall a  
24 hundred percent accurately, but I think we

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1           A       Typically, yes.

2           Q       And would you wait for that  
3 purchase order before beginning a School  
4 District project?

5           A       We would start some  
6 preliminary. We would maybe start the  
7 submittal process, if required, we start  
8 some of the engineering, if required, in  
9 order to keep the ball moving because they  
10 can be, at times, tardy in purchase orders.

11          Q       Okay. And so the preliminary  
12 engineering, is that something that you  
13 typically would be compensated for in the  
14 contract or would you be paid separately for  
15 that or would you not be paid at all?

16          A       No. At that point in time,  
17 once we have a proposal to the customer, all  
18 those costs and charges are built into our  
19 total number. So that's part of the  
20 process.

21          Q       Have you ever started  
22 preliminary engineering or other preliminary  
23 work on a School District contract prior to  
24 getting the signed purchase order?

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1                   MR. HOMANS: When you say "School  
2                   District," you mean this School District  
3                   or any school district?

4 BY MR. KLAPROTH:

5                   Q       This School District. School  
6                   District of Philadelphia.

7                   A       Directly for the School  
8                   District?

9                   Q       Yes.

10                  A       Hundred percent factual, I  
11                  cannot say. I'm sure we have done some, but  
12                  how many, I --

13                  Q       Okay.

14                  A       I'd have to go back to the  
15                  records to see if we actually did that.  
16                  Typically for School District, we would wait  
17                  for a purchase order.

18                  Q       You would wait for the purchase  
19                  order, you said?

20                  A       We wait for a purchase order.  
21                  Again, every job circumstance is different,  
22                  you know. If we're going to lay out a big  
23                  sum of money, like on turn styles, we want  
24                  to make sure that's bona fide. Again,

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1 having to make a good business decision.

2 Q Now, at some point when you  
3 finished the survey of the 19 schools, did  
4 you submit your survey findings to anybody  
5 at the School District?

6 A Yes.

7 Q Who did you submit them to?

8 A They were submitted to Amy  
9 McCole and Phillip Kayman.

10 Q How were they submitted?

11 A In person, meeting.

12 Q And when was that meeting?

13 A Don't recall the actual date.  
14 I know it was September, but prior to  
15 September 23.

16 Q Had SDT come up with a rough  
17 estimate of what the project would cost at  
18 that point?

19 A Walking out of that meeting, I  
20 was asked. And I -- based upon the  
21 knowledge and just running through some  
22 facts and figures, looking at the labor, how  
23 many hours had -- looking at the whole big  
24 picture, I threw out a number of four and a

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1 half to six and a half million. That's a  
2 big spread.

3 Q Now, in a project, like the  
4 persistently dangerous schools project,  
5 would the contract, or the eventual purchase  
6 orders, I should say, would that be a fixed  
7 price such as the contract would be for a  
8 certain amount, and that's it? Or would it  
9 be time and materials that you have up to a  
10 certain amount and whatever it costs, it  
11 costs?

12 A Typically it goes by how the  
13 project's being run by the School District.  
14 This was never discussed to be a time and  
15 material basis. You know, in my opinion, it  
16 was not right for prime time yet. We hadn't  
17 got to where we had hard solid numbers to  
18 work from in order to even have a purchase  
19 order cut. It just wasn't there yet. We  
20 were getting there, but we still had too  
21 many loose ends.

22 Q And what were those loose ends?

23 A Talking about support structure  
24 for the security offices. There was some

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1           Q       Did SDT have any plans to begin  
2 any preliminary engineering or any other  
3 preliminary work prior to the School Reform  
4 Commission ratifying?

5           A       We had no plans directly to  
6 start, you know. Always a little bit behind  
7 the scenes things that, you know, through  
8 the sales process that I would always be  
9 working on and Joe would be working on to be  
10 prepared so when it hit. Again, knowing the  
11 nature of this job, and the fast track and  
12 the emergency nature of it, and not wanting  
13 to, you know, let our customer down, we, you  
14 know, we were going to run it right up to  
15 the edge waiting for the word to go.

16           Q       Did SDT delay -- or let me back  
17 up. Strike that.

18                       Did SDT forgo working on any  
19 other projects because you wanted to be  
20 prepared to hit the ground running on the  
21 persistently dangerous schools once you got the  
22 okay?

23           A       No. You can't afford to do  
24 that. You keep moving.

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1           Q       Did SDT hire any employees on  
2       the basis that you might get this  
3       persistently dangerous schools project and  
4       you needed to have the manpower for it?

5           A       No.

6           Q       Did SDT purchase any equipment  
7       on the basis that you might get get this  
8       persistently dangerous schools project?

9           A       No.

10          Q       After that meeting, did SDT do  
11       any other work, and I mean work broadly,  
12       like did you do any more surveys, did you  
13       provide any more price quotes, even, you  
14       know, verbally over the phone? Did you do  
15       anything for the persistently dangerous  
16       schools project after that meeting?

17          A       If I can remember correctly,  
18       the only thing that I did was have several  
19       conversations with the manufacturer's rep,  
20       meaning our regional sales manager for UTC  
21       to just again, to kind of pre-stage  
22       equipment for availability, things of that  
23       nature, because we knew we had some  
24       long-lead items. You know, I'm always



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1                   Did you receive any indication  
2     from the School District that they were going  
3     to be scrutinizing your rough estimate prior to  
4     hiring SDT to do the persistently dangerous  
5     schools project?

6                   MR. HOMANS: Rough estimate on  
7     cost?

8     BY MR. KLAPROTH:

9                   Q     The rough estimate of 4.5 to  
10    6.5 million?

11                  A     If that was the basis for  
12    delay, no.

13                  Q     And what do you mean by "if  
14    that were the basis for delay"?

15                  A     If the School Reform Commission  
16    wanted more security and didn't vote on it  
17    the end of September because they want to  
18    scrutinize our number, we had no indication  
19    of that. As I mentioned earlier and  
20    previously testified, that, yes, they have  
21    scrutinized our numbers and it's documented  
22    that they have. And we knew all along that  
23    through the entire process, you know, until  
24    we had concrete scope, concrete quantities,

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1 concrete everything, until a final number  
2 was arrived, that our numbers would be very  
3 closely watched only because we had to do  
4 competitive for the City.

5 Q Have you ever participated in a  
6 project for the School District where the  
7 School Reform Commission did not ratify the  
8 resolution to begin work on the project?

9 A I am not aware of any, no.

10 Q When you said before that the  
11 project was pulled and we were asked to turn  
12 in drawings, is that the time point when you  
13 had to turn in the drawings that you viewed  
14 the project, the persistently dangerous  
15 schools project, as being pulled from SDT?

16 A No. I don't view anything  
17 being pulled from us. We were asked to turn  
18 in documents. We didn't understand why. We  
19 weren't quite sure what was coming down.  
20 But, you know, we always, we -- we were  
21 doing that job.

22 Q At any point in time after you  
23 had finished the surveys up until you turned  
24 in the drawings, was there any indication

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1 meeting. Done. Nothing transpired since  
2 then.

3 Q What was the gross profit  
4 margin that you were hoping to make on the  
5 persistently dangerous schools project?

6 A Again, trying to maintain our  
7 company policy. You know, we were hoping to  
8 be in the, somewheres high 20s, mid 30S.  
9 Some things can change that number. Again,  
10 depending on you, know, equipment purchases  
11 and this and that. But we were aiming for  
12 that target goal there.

13 Q And I saw -- actually, why  
14 don't you take a look at it again, D2.

15 Looking at D2, when you look at  
16 the gross profit percentage column, we spoke  
17 earlier that there is a range, that some of  
18 them range from anywhere from 8.02 to, you  
19 know, there is one here that is 37.65. There  
20 is one that's 43.64. Did you have any  
21 indication as to where this project, the  
22 persistently dangerous schools projects, would  
23 fall on that scale? I know you said that you  
24 were hoping high 20s to mid 30S. Was that

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1 based on the scope of other projects that you  
2 had done for the School District? How were you  
3 reaching that number?

4 A Again, the number we looked at,  
5 in my mind -- remember, we had not finalized  
6 anything. Nothing was finalized on this job  
7 as far as cost, sale price, that number  
8 could have been arranged this far apart.

9 Q And you are gesturing with your  
10 hands about like 3 feet?

11 A Yeah. A larger than -- only  
12 because nothing was finalized. So going  
13 looking at it, take a look at the two jobs,  
14 the most two recent jobs that we did with  
15 them prior to this, which would have been  
16 the turn style and the tower doors, you're  
17 looking at 31.04 and 36.29. So I'm saying,  
18 you know, high 20s, mid 30s, I'm right  
19 there. So again, that's just a target that  
20 we were looking for.

21 Q Now, if the SRC had passed or  
22 ratified the resolution, then you would  
23 expect a purchase order from the School  
24 District for the persistently dangerous

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1 schools project?

2           A       We would have expected some  
3 type of document. Again, we hadn't got to  
4 the point where we even had firm numbers.  
5 So I don't know even know where it  
6 ultimately ended up and how that came about  
7 because we weren't there yet. So my opinion  
8 moving forward on this thing is that once it  
9 got ratified, I had to finish more my work  
10 yet to come up with a dollar value. That  
11 could have been X. And then they got an  
12 approved contract value of Y, that would  
13 have given them, you know, a cushion to  
14 handle additional work, if required, but I  
15 wouldn't have gotten this.

16           Q       By this?

17           A       I would have gotten this.

18           Q       You are pointing to Y being --

19           A       Being the real number. Y being  
20 my final number to the School District based  
21 upon having a much better handle on the  
22 scope.

23           Q       And the other number would be  
24 the cushion that you said that they would

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1 have, the amount of money they have to spend  
2 on the project?

3 A Well, somebody got X amount  
4 approved. That didn't come from SDT.

5 Q Were you aware of anybody  
6 getting X amount approved at any point for  
7 persistently dangerous schools?

8 A Not until it went public  
9 knowledge.

10 Q And when did it become public  
11 knowledge?

12 A I'm assuming the day it was  
13 ratified because it's a public meeting.

14 Q And so if it was ratified and  
15 say -- I am basically just going to give you  
16 a for instance here -- if it is ratified,  
17 and they come back and they say, we have,  
18 you know, you were projecting 4.5 to 6.5, if  
19 the School District came back with a lower  
20 number than that, say, 3 or the SRC did on  
21 their ratification, how does that change the  
22 job at that point?

23 A It changes the scope of the  
24 job. You start having to cut, again, based

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1 on quantities to get to where you need to  
2 be.

3 Q And if they came back with a  
4 much larger number and give you a bigger  
5 cushion, it would help you either expand the  
6 job or get the job done completely with a  
7 larger cushion in which to operate?

8 A Not necessarily like a cushion  
9 to operate. Basically, we would still be at  
10 a fixed number based on a scope, and that  
11 number I'm referring to that I don't know  
12 what that is yet or would have been yet. So  
13 they would have had contingency moneys  
14 available to them to say they needed an  
15 extra air conditioner or another power feed,  
16 or something of that nature, but not  
17 necessarily that. That difference would  
18 have been to SDT just to do at our  
19 willy-nilly, no, not at all.

20 Q Have you ever experienced the  
21 SRC coming back from a proposed resolution  
22 and the SRC limiting the scope of work from  
23 that which was proposed to that which was  
24 ratified?

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1           Q       And you see the paragraph, at  
2       the bottom, where it says, "Spresart,  
3       according to the sources, went to work  
4       immediately. He visited every site marking  
5       up District specifications to show what  
6       equipment would be needed and where it would  
7       be placed. SDT made a rough estimate that  
8       the entire project would cost 4.5 million to  
9       6 million. The estimate was later increased  
10      based on internal district discussions."

11                       Is that information that you  
12      provided to "The Philadelphia Inquirer"?

13           A       I -- again, timing wise, I  
14      can't vouch for that. You know,  
15      Spresart -- according to sources, that  
16      could have been the School District, someone  
17      from the School District, also. Timing  
18      doesn't seem to jive because it says "no  
19      comment" the following page. So that may  
20      not have been me at all.

21           Q       Okay. Where it says the rough  
22      estimate of the project, I believe you  
23      testified today that your rough estimate was  
24      4.5 to 6.5. In this article, it says 4.5 to



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1 6 million. Is the article incorrect or is  
2 your recollection?

3 A No. My verbal was four and a  
4 half to six and a half.

5 Q Okay. Take a look at what's  
6 been marked as D7 again.

7 A Okay.

8 Q If you could turn to page 7 of  
9 that.

10 A (Witness complies.)

11 Q Are you there?

12 A Yes, I am.

13 Q Okay, see at top of the page,  
14 second paragraph. "Spresart summed up his  
15 dealings with the School District by noting,  
16 'I can emphatically say' that all dealings  
17 with the School District have been 'one  
18 hundred percent spot on.' He further stated  
19 that 'absolutely no one' has made  
20 inappropriate gestures. There has been  
21 'zero of that'."

22 Are you accurately quoted on  
23 page 7 of this document?

24 A When I read that earlier, I'm

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1 potential vendors and manufacturers prior to  
2 having to return the drawings?

3 A In light of what?

4 Q In light of learning that  
5 what -- that SDT was a victim of what you  
6 believe to be racial discrimination.

7 A It's a difficult question to  
8 answer because, again, coming from a pure  
9 business perspective, you like to be  
10 compensated. But from an ethical  
11 perspective, you know, it's very, very  
12 difficult for me to answer that question.

13 Q I think you --

14 A Because it -- compared to what  
15 we lost, it's a drop in a bucket. It --  
16 it -- it's insignificant.

17 Q And I think you testified  
18 earlier that when you do -- when you put  
19 together like an estimate or a proposal and  
20 you do some sort of preliminary work, that  
21 that's something that is normally not  
22 included ultimately in the purchase order or  
23 the contract.

24 A Correct. That's a cost of

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1 sales. Okay. That's not a item that we  
2 typically will build into a project. If  
3 we're asked to view the designer of record,  
4 then we will add that in our proposal. But  
5 typically on all of bid work, even design  
6 bid work here, we do not charge for our  
7 service. That's a cost of sales. That's an  
8 inherent cost.

9 Q And that's the same with the  
10 persistently dangerous schools project?

11 A Yes. Again, we knew it was  
12 coming in. We knew it would be short term,  
13 and we'd be under contract. So it's my  
14 efforts, Joe Snell's efforts, it's what we  
15 call cost of sale.

16 Q Is there a person at SDT whose  
17 job it is to estimate? I know that  
18 sometimes with contractors, there will be an  
19 estimator or an estimating department. Is  
20 there a department like that at SDT?

21 A No. Each sales rep is  
22 responsible for their own estimates, and  
23 then I have final approval. \*We -- limits  
24 that are -- we set.